



Idaho Soil & Water Conservation Commission

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IDAHO SOIL & WATER CONSERVATION COMMISSION

Commission Meeting

Wednesday, November 17, 2010

Burley Best Western Inn & Convention Center

800 N Overland Ave, Burley ID

8:30 a.m. MST

APPROVED MINUTES

COMMISSION MEMBERS PRESENT:

Bill Flory

Dwight Horsch

Dick Bronson

Roger Stutzman

Dave Radford

COMMISSION STAFF PRESENT:

Sara Schmidt

Kristin Magruder

Lance Holloway

Terry Hoebelheinrich

Jordan Tollefson

Chuck Pentzer

Carolyn Firth

PARTNERS AND GUESTS PRESENT:

Harriet Hensley

Todd Wilson

Ken Stinson

Kari Schwendiman

Terry Halbert

Lyla Dettmer

Kyle Wilson

Cody Anderson

Karma Bragg

Jeff Burwell

Lori Ringel

1
2 Meeting was called to order by Bill Flory, Idaho Soil and Water Conservation Commission (SWC)
3 member and Chair, at 8:40 a.m.

4
5 Welcome and self-introductions followed. Reviewed agenda and there are no additions or
6 deletions.

7 8 **REVIEW OF DRAFT MINUTES**

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10 The commission reviewed the draft minutes from the September 28, 2010 teleconference.

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12 **Dick Bronson, SWC Member and Secretary, moved to approve the minutes as presented.**
13 **Roger Stutzman, SWC Member seconded. No further discussion. Motion passed**
14 **unanimously.**

15 16 **IDAHO ONEPLAN AUTHORITIES AND BACKGROUND**

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18 Harriet Hensley, Deputy Attorney General, reviewed the Idaho OnePlan (OnePlan) authorities
19 and background of the program. OnePlan is a computer-based system for improving efficiency
20 and effectiveness of natural resource planning by land owners and land users. It is managed by
21 an executive group and steering committee. The program is patented by University of Idaho
22 through an agreement.

23
24 Sara Schmidt, SWC Administrator, advised the Commission on the current status of OnePlan
25 development and funding options. Wayne Newbill, OnePlan Administrator, has been actively
26 pursuing other funding sources as federal earmarks and state funding are no longer available.
27 There were questions and discussion about the proprietary nature of the program. SWC staff
28 will add OnePlan to the next meeting agenda to discuss the program in more detail with the
29 recent changes and updates as schedules did not allow for Mr. Newbill to be present at today's
30 meeting.

31 32 **OVERVIEW OF WATERSHED IMPROVEMENT DISTRICT STATUTE**

33
34 Ms. Hensley advised that SWC recently became aware of a Watershed Improvement District
35 (WID) in Bonneville County that wanted to dissolve. After research of appropriate statutes, it
36 was determined that the Commission has the responsibility to manage that process. Dave
37 Radford, SWC Member and Bonneville County Commissioner, was involved in the initial
38 discussion about the dissolution. Bonneville County has sent a request to the Idaho Tax
39 Commission to dissolve the WID, who then contacted SWC staff to confirm. Mr. Radford
40 commented on the background of the decision by the county, which was done under the
41 authority of a different statute. Ms. Hensley advised that until the request is received by the
42 WID, the Commission cannot take any action on this matter. There was further discussion
43 about options for the inactive WID to apply for the dissolution. There was interest last winter
44 from a soil conservation district about becoming active in a WID, at which time it was

determined that the SWC's role is simply to create or dissolve the WID. It is unknown how many WIDs are active or not active within the state. Ms. Hensley advised that either 25 landowners or a 2/3 majority of landowners within the WID may apply to the Commission for the dissolution. Additional discussion followed about the intent and purpose of WIDs.

UPDATES TO SWC STRATEGIC PLAN

Ms. Schmidt discussed the history and purpose of the SWC Strategic Plan. Since the time that the Strategic Plan was adopted in January 2009, there have been significant changes due to personnel and budget decreases. Ms. Schmidt presented a document of proposed changes for the Commission's review. Each year, all agencies are required to submit any updates or changes to their Strategic Plan and proposed changes need to be reviewed and discussed by the Commission.

There was discussion to convene another working group similar to the one that initially drafted the original Strategic Plan. This project will take some time to review and make recommendations before submitting to the Division of Financial Management (DFM). Further discussion followed about options. Commissioners requested that this matter be reviewed at the end of the agenda to think on the matter and talk with potential interested parties. The intent of the update should reflect the thoughtful discussion about what the SWC priorities are based on available opportunities, resources and budgets. Working group should be a comprehensive cross-section of supervisors and staff from large and small districts.

REPORTS FROM COMMISSIONERS, ADVISORS AND ADMINISTRATOR

Administrator's Report

Ms. Schmidt presented the Administrator's Report to the Commission. The first quarter review of the Memorandum of Understanding (MOU) with the Department of Administration (Dept of Admin) for Fiscal, Human Resource and Information Technology support was done and it appears that we are under budget from initial projections. Other reviews with Office of Energy Resources, Office of the Chief Information Officer and Office of Species Conservation are coming in the near future.

Ms. Schmidt reviewed the current status of staffing around the state and distributed the current SWC organizational chart. Requested feedback from districts on additional needs as SWC is going to a fall-based performance evaluation schedule in order to provide consistency in services around the state. Vacancies will continue to be evaluated for need based on input from interested parties.

Commissioner Reports

There was discussion about the success of the Division VI Fall Meeting which was attended by Mr. Radford. There was significant impact due to the attendance of various legislators, representative from the Governor's office, and multiple district supervisors and staff. Further

discussion followed about the impacts on budget cuts at the state and county levels and how districts are affected.

Dwight Horsch, SWC Member and Vice Chair, discussed the Division V Fall Meeting. There were several good discussions about pending issues. Mr. Horsch was concerned about the lack of interest from the younger generation about being active in the local conservation districts and would like to see some initiatives to entice people to run for the supervisor positions.

Roger Stutzman, SWC Member, discussed the Division IV Fall Meeting. There was excellent participation and was encouraged by the camaraderie and would like to see the continued support between the conservation partners. There was discussion about Round-Up Ready sugar beets and the potential effects on agriculture in Idaho.

Mr. Bronson attended both Division III and IV Fall Meetings. He was encouraged by the participation at both meetings and appreciated meeting parties one-on-one. Legislators in attendance were supportive of conservation. Lance Holloway, SWC staff, advised the Commissioners on the status of projects in Division III.

Mr. Flory attended both Division I and II Fall Meetings. The meetings were held a little earlier than usual and conflicted with the late growing season and hunting season which hurt attendance just slightly. There were good discussions about various subjects by parties present.

Natural Resource Conservation Service (NRCS) Report

Jeff Burwell, NRCS State Conservationist, gave the Advisor Report for NRCS. There are \$47 million in landowner conservation contracts around the state. NRCS is trying to assist the districts as much as possible for administrative services given. Idaho Department of Lands (IDL) and Idaho Department of Fish & Game (IDFG) have pending projects and agreements with NRCS. NRCS is continuing to provide office space at a reduced rate to SWC field staff, office space to the Idaho Association of Soil Conservation Districts (IASCD) director and administrative staff, and office space to district personnel. NRCS has been using discretionary funds to augment the lack of technical assistance funding.

Idaho District Employees Association (IDEA)

Karma Bragg, IDEA President, presented the Advisor Report for IDEA. She thanked NRCS and SWC for their support and participation in meetings. The IDEA membership meeting is today along with a grantsmanship training class this afternoon. Ms. Bragg discussed opportunities for training, website updates and other issues facing district employees. Great raffle items this year and working with IASCD Auxiliary to sell tickets.

Idaho Banker's Association Report

Todd Wilson, Vice Chair of the Agricultural Committee for the Idaho Banker's Association, is newly appointed and is still learning about the Commission. Mr. Wilson lives in the Idaho Falls area and is with Zion's Bank.

132
133 Idaho Association of Soil Conservation Districts (IASCD)

134 Steve Miller, IASCD President, presented the Advisor's Report. Board members are currently
135 focused on hiring a new director of the association.
136

137 Dr. John Hammel and Rich Garber from the University of Idaho were invited and planned to
138 attend but have a conflict with the Idaho Cattle Association conference.
139

140 **A break was called for at 10:30 a.m.**

141 **Meeting was reconvened at 10:43 a.m.**
142

143 **SCHEDULE FUTURE MEETINGS**
144

145 SWC staff are trying to coordinate the next Commission meeting with the Senate Agricultural
146 Affairs Committee presentation and the Senate Confirmation Hearings for the Commissioners.
147 Senator Tim Corder has committed to the second week of February 2011, which will coincide
148 with the Legislative Strolling Supper.
149

150 Mr. Flory indicated a desire to bring the spring meeting to northern Idaho. There was
151 discussion about the pros and cons and time of the year that would work best for
152 Commissioners and staff. Request to move to end of the agenda for further consideration.
153

154 **DISTRICT ALLOCATIONS**
155

156 Mr. Bronson discussed the process for the district allocation Match Funding and the
157 tremendous amount of work and time that the Working Group put in to review all of the
158 information and make recommendations. The Working Group was chaired by Mr. Bronson and
159 consisted of district supervisors and staff: Terry Halbert, North Side SWCD; Kent Foster, Ada
160 SWCD; Kit Tillotson, Portneuf SWCD; Lori Ringel, Teton SCD; Randy Purser, Butte SWCD; Steve
161 Becker, Nez Perce SWCD; Terry Kramer, Balanced Rock SCD; and Tim Dillin, Boundary SCD.
162

163 There was discussion over the general recommendations of the Working Group: Elections are
164 not allowed as there were no elections held in 2009. There was discussion on the difference
165 between General Purpose functions of the district and funds used for Specific Projects. The
166 term 'Local Units of Government' was defined. There was additional information requested
167 from some districts that they did not have time to secure and the Working Group will make
168 recommendations to allow those districts additional time. Organizations were discussed and
169 under the temporary rule, are not allowed on match. There is further discussion that needs to
170 happen to define Organizations for the permanent rule. Office space was thoroughly discussed
171 and is included under the temporary rule contingent on receipt of written documentation from
172 the county but is not being recommended in the future. The original recommendation of not
173 allowing fair display space has since been reconsidered and the group is now recommending
174 that the match be allowed. Space donated for special use, like boat wash stations or chemical

storage units, is not allowed. Time donated is not allowed pursuant to the motion made by the Commission at the August 2010 meeting in Rigby.

Mr. Bronson reviewed the FY 2011 District Allocation Match Report along with recommendations made for each district by the Working Group. There are two districts, Oneida and Yellowstone, which are waiting on information from their county commissioners before they can submit their additional documentation. Therefore, the Working Group is recommending an additional two weeks to allow the districts to submit this information or the funds will be disallowed.

There were questions and discussion about specific reports and recommendations made by the Working Group. Feedback was given by the districts about the process, recommendations for moving forward with the permanent rule and how to honor the intent of the legislature.

The Working Group was commended for the amount of time and energy put into this report.

Mr. Bronson moved to accept the Match Fund Reports from the districts with the recommendations by the Working Group. Mr. Radford seconded. No further discussion. Motion passed unanimously.

Mr. Bronson moved that Oneida and Yellowstone districts will be allowed until November 30, 2010 to submit requested documentation. Mr. Radford seconded. No further discussion. Motion passed unanimously.

Mr. Bronson moved to not distribute Kootenai-Shoshone district's Base or Match funding until complete reports are received no later than January 31, 2011. Mr. Radford seconded. Further discussion about challenges the district has had during the past year. Motion passed unanimously.

Mr. Bronson moved to accept the late Match Reports submitted by Oneida and Franklin districts. Mr. Radford seconded. No further discussion. Motion passed unanimously.

Discussion was opened up regarding future rulemaking for the district allocations. The Commissioners discussed the value of having the Working Group continue to review recommendations for the permanent rule.

Lunch break was called for at 12:22 p.m.

Meeting reconvened at 1:26 p.m.

Roger Stutzman was excused from the rest of the meeting due to a previous commitment.

Discussion continued about proposed rulemaking. Ms. Schmidt described some options available based on discussions with the state Rules Coordinator, the Governor's office and key legislators. The general consensus is that the rule needs to be done correctly. Discussion

followed about the feasibility of proceeding with a temporary proposed rule for the 2012 Legislature and when the current temporary rule expires. SWC staff will research options and bring before the Commission at a later meeting while the legislature is convened.

WATER QUALITY PROGRAM FOR AGRICULTURE (WQPA)

Lance Holloway, Ag Program Specialist and WQPA Manager, gave a brief history of WQPA and its purpose. Originally a Health & Welfare water quality program, it evolved into a cost-sharing program for agriculture. The funding has fluctuated over the years and was set at approximately \$315,000 this fiscal year. Up to ten percent (10%) of the project costs are allocated for administrative costs. Mr. Holloway discussed the process the districts went through to get to the current budget with the remaining projects.

There are two projects for Lawyer Creek that received alternate funding and allowed approximately \$60,000 to be put back into the WQPA budget to use elsewhere. Mr. Holloway discussed the process of proposing and approving projects for Commission consideration and funding.

Mr. Holloway reviewed the updated WQPA Procedures and Requirements memorandum and outlined the need for the updates. Highlights of changes include: the payment approval process; policy detailing how SWC handles the unused funds; how WQPA funds are subject to annual legislative appropriations; how priority project budgets are developed per fiscal year projections; how the cost-share funds are allocated and disbursed. Discussion followed about how the budget is managed in relation to the project term. SWC staff described the need for direction from the Commissioners to tighten up the processes and clarify procedures.

It was suggested by district personnel that unused funds be transferred to an existing grant program, which would then be open to all districts and provide a quicker turnaround. Further discussion followed.

Mr. Horsch moved to allow unused WQPA funding to be reallocated to other existing WQPA projects. Mr. Bronson seconded. Further discussion followed. Mr. Horsch further clarified the intent of his motion in support of the landowner and land users putting voluntary conservation practices on the ground and keeping the existing WQPA budget intact. Further discussion followed. **Motion passed unanimously.**

Mr. Holloway will provide further information for Commission consideration at a later meeting. Commission thanked Mr. Holloway and Ms. Hensley for their work on this project.

Mr. Horsch moved to accept the WQPA financial and project report and accept the Updated Policy. Mr. Radford seconded. No further discussion. Motion passed unanimously.

RESOURCE CONSERVATION AND RANGELAND DEVELOPMENT PROGRAM (RCRDP)

Commission requested to move the Executive Session up on the schedule to accommodate guests present.

Mr. Radford moved to enter into executive session pursuant to Idaho Code § 67-2345(d) to review pending RCRDP loan business. Mr. Horsch seconded. No discussion. Roll call vote was taken with all voting in the affirmative. Motion passed unanimously.

The Commission moved into executive session at 2:30 p.m. Terry Hoebelheinrich, Sara Schmidt, Harriet Hensley, Kristin Magruder, Todd Wilson and a guest borrower were invited to stay.

Executive session ended at 3:27 p.m.

Commissioners discussed the disposition of pending RCRDP loan business.

Mr. Radford moved to approve the modification request on Loan A-431/571 and requested the loan officer expedite the modification on behalf of the borrower. The modification includes a partial subordination of the mortgage in order to refinance a portion of the property. Mr. Horsch seconded. No further discussion. Motion passed unanimously.

Loan No. 635

Amount: \$29,414.85

Term: 15 years

Rate: 5%

Project description: Replace flood irrigation with pipeline and wheel lines.

Mr. Bronson moved to approve Loan No. 635 contingent upon wheel line and equipment being added to collateral and the assignment of the rent on the property as terms of the loan. Mr. Radford seconded. No further discussion. Two ayes, one nay. Motion passed.

JEFFERSON SOIL & WATER CONSERVATION DISTRICT REQUEST

Ms. Hensley advised the Commissioners of the statutory authority to allow approval to the Jefferson Soil and Water Conservation District's request to change their board from a five- to a seven-member board. Requirements include the district submitting a letter including a reason for the change and signature from all active board members. Becky Crystal, Jefferson Soil & Water Conservation District, had submitted a letter of request, but they were not aware of the additional requirements and are willing to submit the necessary information to make the change possible. Further discussion followed. Ms. Crystal spoke in support of the change to a seven-member board to have broad representation within their district due to the recent consolidation. All remaining supervisors from the consolidation want to be involved in the district going forward.

Mr. Radford moved to grant the request of the Jefferson Soil & Water Conservation District to change from a five- to a seven-member board if a written request is received from the district

signed by all incumbent supervisors to establish a seven-member board stating the valid reasons for such need pursuant to Idaho Code. Valid reasons include: 1) The expanded scope of responsibilities resulting from consolidation, and 2) Adequate representation of constituent interest that requires a seven-member board. Mr. Horsch seconded. Further discussion followed. Motion passed unanimously.

RESOURCE CONSERVATION AND RANGELAND DEVELOPMENT PROGRAM (RCRDP)

Philosophy and Outreach

Terry Hoebelheinrich, SWC Loan Officer, began the discussion about his RCRDP loan philosophy and the Commission's intent. Loan servicing issues have come up in the form of releasing collateral, subordinations, and other items that drain the time and resources of staff. Borrowers have an incentive to hold on to the low interest RCRDP loans and the SWC staff is looking for some guidance in helping identify priorities of day-to-day work. Discussion followed.

Proposed Operating Policy Changes

In reviewing existing loan documents, it appeared that they were constructed using an amortized loan schedule. Mr. Hoebelheinrich suggests clarifying the original intent of the Commission on whether to use Simple Interest or an amortized method for applying payments.

Mr. Hoebelheinrich further proposed tightening policy to prohibit applicants from borrowing money from third parties to cover their 5% of applicant funds required.

Staff found a discrepancy in how the default interest applies in the event of late payment. Currently, policy and notes suggest that default interest only applies to the installment and not the outstanding principal balance. Policy further contradicts itself by stating that default shall apply to principal balance and the installment without specifying one or the other.

Mr. Bronson moved to change RCRDP policy to apply the default interest rate of 18% to the outstanding principal balance. Mr. Radford seconded. Further discussion followed. Second and original motion withdrawn.

Mr. Horsch moved to have the RCRDP loan policy reflect that the 18% default interest be applied only to the past due installment. Mr. Radford seconded. Further discussion followed. Motion passed.

Break was called for at 4:17 p.m. in order to move to a different meeting room at the hotel's request. A general announcement was made advising interested parties of the change in meeting location.

Meeting was reconvened at 4:41 p.m. in the Perkins restaurant meeting room adjoining the Burley Best Western Inn & Convention Center.

Mr. Hoebelheinrich identified last critical issue for policy clarification to specify that simple interest be charged on all loans.

Mr. Radford moved to charge simple interest on all new loans. Mr. Horsch seconded. No further discussion. Motion passed unanimously.

Discussion began about having a monthly meeting either in person or by teleconference to review any pending loan business so there are no delays in the application process. The general preference is to hold teleconferences on the second Wednesday of each month at 8:15 a.m. MST. There was further discussion about methods to make the process easier in order to generate new applications. Current process might be perceived as lengthy, cumbersome and impersonal. It is perceived that lack of applications is partially due to the downturn in economy.

There was discussion about the current loan interest rates and the positive impacts of adjusting interest rates to benefit the borrowers and to generate interest in the loan program.

Mr. Radford moved to decrease the current loan interest rates by 1% on new loans. Mr. Horsch seconded. Further discussion followed. Mr. Radford amended his motion to set interest rates and terms at 2% for loans 1-7 years in length, 3% for loans 8-12 years in length, and 4% for loans 13-15 years in length. Mr. Horsch seconded the amended motion. No further discussion on the amended motion. Amended motion passed.

There was additional discussion about the issues of loan servicing including modifications, subordinations, and releases or partial releases of collateral. Commissioners discussed the possibility of SWC staff providing a regular status report on key items. Staff will prepare a draft report for Commissioner's review at the February 2011 meeting.

OTHER BUSINESS

The Commissioners were advised that Administrators for all agencies are subject to the performance evaluation process. Discussion followed about how to proceed with Ms. Schmidt's evaluation for this year. A suggestion was made to provide the Commissioners a rating scale on roles and responsibilities and discuss those points in executive session. Staff will coordinate with Human Resources to provide guidance to the Commissioners at an upcoming meeting to complete Ms. Schmidt's performance evaluation.

RCRDP Financial Report and Cash Flow Statement

Mr. Hoebelheinrich reviewed the September 2010 Financial Report and Cash Flow Report. The beginning cash balance was \$1,643,482. Total principal and interest received was \$29,582 and total expenses were \$19,041 for an ending cash balance of \$1,645,837. After total principal payments for September, the adjusted principal loan balance was \$8,016,535.

The 3% Minimum Contingency Reserve currently stands at \$240,496 and there are still \$194,250 in loan funds approved but not yet advanced to the borrower, which leaves \$1,211,091 in funds available to loan.

Mr. Radford moved to accept the RCRDP cash flow report and financial report for September 2010. Mr. Horsch seconded. No further discussion. Motion passed unanimously.

SWC FINANCIAL REPORT AND BUSINESS FROM MORNING SESSION

Ms. Schmidt presented the SWC Financial Report through October 2010. The state is currently 33% of the way through the fiscal year and the Commission is trending at the same rate for budgeted expenses. As of October 2010, Personnel Costs are at \$343,433, Operating Expenses are at \$17,765, and Trustee & Benefits are at \$418,600 for a total of \$780,358 in expenses to date. There is \$1,568,791 of the budget remaining in general funds for FY 2011.

There was discussion about the current staff vacancies and the pros and cons of filling the positions or using those funds for other purposes like district allocations or WQPA. Input from Commission staff present about the continued negative effects of lack of staff and the feedback they receive from districts.

Ideas on various ways to help the districts were discussed. Commissioners considered different ideas of providing an equal benefit to each district.

Mr. Radford moved to provide payment to Idaho Counties Risk Management Program (ICRMP) on behalf of each district in the amount of \$850 per district if there is no holdback during FY 2011. Mr. Bronson seconded. Further discussion followed. Motion passed.

The issue of the Strategic Plan was brought back to the floor. Options for moving forward were discussed. A working group will be formed based on volunteers and nominations received.

Mr. Horsch moved to direct the chair to appoint a Working Group to review the current SWC Strategic Plan and make recommendations for updates. Mr. Radford seconded. No further discussion. Motion passed.

There was debate and discussion on which Commission member will chair the Working Group. Dave Radford and Dwight Horsch will co-chair the Working Group and an announcement will be made at the IASCD conference requesting volunteers and seeking nominations for participants.

The update needs to be submitted to Division of Financial Management before July 1, 2011, so the Working Group will be able to use the new 2012 budget to move forward on setting SWC priorities. Mr. Horsch recommended consulting with Dick Rush, former SWC commissioner and current director of Farm Services Agency. As a partner agency, Mr. Rush could serve as an advisor on the Working Group. Further recommendations and suggestions were made for nominations.

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439 **Mr. Radford moved to accept the October 2010 Financial Report as presented. Mr. Bronson**
440 **seconded. No further discussion. Motion passed.**
441
442 **Mr. Bronson moved to adjourn. Mr. Horsch seconded. Motion passed unanimously.**
443 **Meeting adjourned at 6:45 p.m.**
444
445 Respectfully submitted,
446
447 Dick Bronson
448 Commissioner and Secretary,
449 Idaho Soil & Water Conservation Commission